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SECSTATE FOR A/S SHANNON  
SECSTATE FOR WHA/MEX, WHA FOR GSPROW,  
SECSTATE FOR WHA/ESP, EB/IBF/OMA  
SECSTATE FOR EB/ESC MCMANUS AND IZZO  
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD  
USDOC FOR ITS/TD/ENERGY DIVISION  
TREASURY FOR IA (ALICE FAIBISHENKO)  
DOE FOR INTERNATIONAL AFFAIRS KDEUTSCH AND ALOCKWOD  
SECSTATE PASS TO USTR (EISSENSTAT/MELLE)  
SECSTATE PASS TO FEDERAL RESERVE (CARLOS ARTETA)  
NSC FOR DAN FISK

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [ETRD](#) [SPP](#) [MX](#)

SUBJECT: FUTURE OF THE SPP AND NAFTA - MEXICAN VIEWS LEADING INTO  
THE NORTH AMERICAN LEADERS MEETING IN MONTEBELLO

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¶1. (SBU) Summary: On August 9, Econoffs met with officials from Mexico's Ministry of Economy to discuss GOM positions for the North American Leaders Meeting in Montebello August 20-21, and the NAFTA Free Trade Commission meetings in Vancouver August 13-14. Expressing concern over the downplaying of the SPP at the Montebello meetings, they stressed the importance of keeping the SPP as a "permanent dialog" for the U.S., Mexico and Canada to work on common problems. They warned that a greater emphasis on the economic side of SPP efforts was needed to counteract negative press that threatened to undermine SPP as an effective platform for the U.S.-Canada-Mexico partnership. Under Secretary Leycegui explained how the "prosperity" efforts of the SPP could be strengthened by improving coordination with efforts of the NAFTA working groups to improve North American competitiveness. Ortega cited the recent tour of the U.S.-Mexico border by the U.S. and Mexican Border Facilitation Working Groups as an example of the pragmatic measures possible under SPP auspices. He noted that the high-level attention given by the U.S. Government was key to the success of the border tour, and it was important that Mexico respond with similar high-level attention. End Summary

Future of the Security and Prosperity

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Partnership (SPP)  
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¶2. (SBU) On August 9, Econoffs met with Mexico's lead agency for the SPP and NAFTA, the Ministry of Economy, to discuss their government's views leading into the upcoming North Americans

Leaders' meeting, and the NAFTA Free Trade Commission (FTC) Ministerial. Alberto Ortega, Chief Advisor to Economy Minister Sojo, Under Secretary for Trade Beatriz Leycegui and Director for NAFTA Juan Carlos Baker expressed frustration that the Canadian hosts of the Montebello summit were downplaying the importance of the SPP. Ortega explained that the value of the SPP was as a much-needed "permanent dialog" that allowed the U.S., Mexico and Canada to work as partners on common issues rather than only dealing at a high-level with "contentious" issues. Given the long partnership between the three countries, Ortega explained, it was important to maintain the SPP as a "space for dialog" to solve common problems like lagging competitiveness in North America. Ortega did not believe the Canadian side was thinking about the SPP in the same practical problem-solving way that the U.S. and Mexico were. He complained that some in Mexico's own Foreign Ministry shared the Canadian view that the North American dialog should be broadened beyond the SPP. Ortega expressed concern that the practical, common problem solving through the SPP could be lost if attention was overly diverted from the practical challenges of security and prosperity in North America.

13. (SBU) Ortega said his government had learned from hosting the 2006 SPP Summit in Cancun that the Leaders' agenda must be balanced between security and economics. He said this balance has become more important since many in the Canadian and even the U.S. media see the SPP as a "secret plot." These stories raise a negative profile of the SPP to a level that makes practical cooperation difficult. Ortega called on all three sides to counteract these negative stories by working to emphasize the partnership aspects of the SPP through a strong "prosperity" agenda. Baker predicted that prosperity topics would occupy a significant portion of the Leader's agenda in Montebello, saying it was important for SPP cooperation to show concrete deliverables. Ortega reported that President Calderon's office (Presidencia) was drafting a report outlining the accomplishments of the SPP, as a list of deliverables. He said this list would likely take the form of a discussion paper. All three

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officials agreed that the most important part of the discussion between the Leaders' would be about the future priorities for the SPP.

#### Bilateral Cooperation Within the SPP

14. (SBU) After describing progress by the U.S. and Mexico Border Facilitation Working Groups (see below), Ortega noted that such bilateral cooperation was key to prosperity and security for all the countries in North America. These bilateral border efforts clearly fell under the auspices of the SPP, he said explaining that the U.S. and Mexico clearly benefit from advances made between the U.S. and Canada along the northern border, as Canada benefits from progress along the U.S.-Mexico border. Ortega believed there was a guarantee implicit within the framework of the SPP to include bilateral projects such as the borders.

#### SPP - NAFTA Interchange

15. (SBU) A key way to promote the prosperity side of the SPP, according to Under Secretary Leycegui, was to treat NAFTA and the SPP as mutually reinforcing and parallel structures. Leycegui noted that the NAFTA Free Trade Commission (FTC) trilateral working group is preparing a "future vision of North America." Ortega added that the three countries were now working in two complementary frameworks, NAFTA and the SPP. He saw a natural link between the two processes, and said the Ministry of Economy would seek to include that concept in any SPP Leaders' statement.

16. (SBU) Leycegui noted that the August 13-14 NAFTA-FTC meetings will include a discussion between the Ministers on the future of NAFTA and North American competitiveness. With the final tariff cuts about to be implemented, she explained, the U.S., Canada and Mexico are looking for ways to deepen economic integration to

enhance North American competitiveness. This effort could be significantly helped by improved coordination between the NAFTA Working Group and SPP efforts. Such coordination would benefit the SPP by allowing it to take advantage of the 15 years of experience the NAFTA Working Groups have in working on issues affecting competitiveness, and make the SPP more effective in advancing its prosperity agenda.

¶17. (SBU) As an example, Baker added that the Working Group on Rules of Origin under the NAFTA-FTC has been particularly effective because, while they are largely a technical group, they see the larger political picture through the SPP, which can help to move issues. Leycegui said that progress in some NAFTA Working Groups stops when the experts reach an impasse. NAFTA Working Groups under the SPP umbrella have an avenue to resolve disputes through SPP Ministerial and Leaders' meetings. After noting the ongoing effort to determine which NAFTA Working Groups can continue with useful mandates, Leycegui said that linking those NAFTA Working Group efforts to an SPP umbrella could provide an avenue to ensure that progress is not stopped merely because of an impasse at the technical (or even ministerial) level. Ortega concluded that the SPP process should move in parallel with NAFTA-FTC work to allow this mutual reinforcement. The FTC was clearly an implementing group, and the SPP should look to see which working groups under NAFTA need to be revived.

¶18. (SBU) All three officials noted that only Mexico had the same actors working in both the NAFTA and SPP fora. Unlike Canada and the U.S., Mexico had the same agency, the Ministry of Economy, responsible for both the SPP and NAFTA. Ortega said he understood

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why the United States had the Department of Commerce and Department of Homeland Security responsible for the SPP, but all three officials argued that the U.S.-Mexico-Canada relationship would benefit if USTR joined the SPP process so that the SPP's prosperity pillar and NAFTA efforts were better coordinated.

¶19. (SBU) On other FTC issues, Leycegui said she was optimistic about the effort to analyze FTA's that the three countries had signed with other nations following NAFTA, and hoped something positive would come out of the effort given the urgent need to improve North American competitiveness in the face of Chinese and Indian competition. Leycegui stressed the importance of the FTC effort to develop terms of reference to hire a consultant to look at ways to improve NAFTA. She noted the importance of the FTC's efforts to look beyond deepening NAFTA to broadening it by considering more "cumulation of origin" mechanisms not only for textiles, but for a wide range of products and with additional partners beyond Central America, such as Peru, Colombia, and even Korea.

#### Border Tour a Practical Success

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¶10. (SBU) Ortega said a key deliverable to report to the Leaders' in Montebello was the success of the July 30-August 2 border tour by the U.S. and Mexican Border Facilitation Working Groups, which advanced the Bush-Calderon initiative to improve the flow of legitimate commerce across the U.S.-Mexico border. Ortega said it was key that the U.S. side had "the right high-level people involved." He singled out the contributions made by General Services Administrator Lurita Doan and DHS Assistant Secretary Al Martinez-Fonts as showing their strong interest in seeking practical ways to improve the flow of legitimate trade. He stressed that it was important for Mexico to show the same high level involvement. When Econoff asked about the absence from the border tour of Mexican officials responsible for infrastructure at the Ministry of Transport and Communications (SCT), Ortega replied that SCT's infrastructure officials were very much involved in the border facilitation effort.

¶11. (SBU) Ortega said the border tour had been very useful for the U.S. and Mexican Border Groups to see and discuss specific, practical measures that could be taken. He gave the example of U.S. bound trucks being scanned with a gamma ray device on the Mexican

side of the border, then scanned again with a similar device on the U.S. side of the border. He said there was a suggestion that if the Mexican screening could send data to be read instantaneously on the U.S. side, two X-ray screenings might not be needed. Another example was the two-hour line of empty trucks at San Diego that were waiting to cross into Mexico. Ortega claimed these empty trucks waited up to six hours at times. He attributed the length of the wait to the requirements of a U.S. Customs inspector to check each empty truck. Saying the large volume of empty trucks was tied to the operating requirements of maquiladoras on the U.S. and Mexican sides of the border, Ortega hoped that business and customs officials on both sides of the border could find practical ways to resolve this and other challenges.

¶12. (SBU) Comment: Mexican trade officials are clearly energized to address what the view with alarm as a serious competitiveness gap, and they see the SPP, NAFTA, and greater economic integration in the Americas as tools to help make up for lost ground. Their enthusiasm for taking meaningful actions in these areas is most welcome, even if not all of their ideas are feasible in the short-term. Nonetheless, we should do what we can to encourage their constructive inclinations. Concrete deliverables under the SPP and NAFTA structures advance specific U.S. interests, and the proposal

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to more closely link the two is at least worth examining. More broadly, it is in our strategic interest to strengthen a key partner who we want to see play a more prominent leadership role in promoting free trade in Latin America. End comment.

BASSETT